

Message Text

CONFIDENTIAL

PAGE 01 GENEVA 03806 01 OF 02 171016Z
ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 L-03 FRB-03 OMB-01
ITC-01 SP-02 AGRE-00 AID-05 CIAE-00 COME-00
INR-07 LAB-04 NSAE-00 OIC-02 EPG-02 SIL-01 STR-04
TRSE-00 CEA-01 SSO-00 NSCE-00 INRE-00 SS-15 NSC-05
AF-10 ARA-06 EA-07 NEA-10 /122 W
-----171024Z 036585 /12

O R 170921Z MAY 77
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 7418
INFO AMEMBASSY LONDON
USMISSION UN NEW YORK

C O N F I D E N T I A L SECTION 1 OF 2 GENEVA 3806

DEPT FOR ASST SEC KATZ

E.O. 11652: GDS
TAGS: UNCTAD, ETRO
SUBJECT: SUGAR NEGOTIATIONS

1. FOLLOWING IS THE TEXT OF A "PROPOSED REGULATORY MECHANISM" PRESENTED TO MAJOR IMPORTERS BY MAJOR EXPORTERS MAY 16. EXPORTERS HAVE REQUESTED A MEETING MAY 17 TO DISCUSS THE PAPER. SINCE THE PAPER REPRESENTS NO ADVANCE ON MAJOR SUBSTANTIVE ISSUES, THE US DEL INTENDS TO DECLINE THE REQUEST TO MEET.

2. COMPLETE TEXT OF EXPORTER PROPOSAL FOLLOWS:

BEGIN TEXT:

1. ROLE OF QUOTAS IN THE REGULATORY MECHANISM

EXPORTERS AND IMPORTERS AGREE THAT THE COUNCIL SHALL ESTABLISH A GLOBAL QUOTA AND KEEP IT UNDER CONSTANT REVIEW. THE COUNCIL MAY ADJUST THE GLOBAL QUOTA SHOULD THIS BE CONSIDERED NECESSARY.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 GENEVA 03806 01 OF 02 171016Z

IN THE EVENT THAT THE COUNCIL DOES NOT ADJUST THE GLOBAL QUOTA, EXPORT ENTITLEMENTS ARE TO BE ADJUSTED AUTOMATICALLY OR QUOTAS ON EXPORTS REMOVED IN ACCORDANCE WITH SPECIFIED PRICE TRIGGER POINTS ILLUSTRATED IN THE ATTACHED CHART.

IMPORTERS AND EXPORTERS AGREE THAT THE PRICE RANGE SHOULD EXTEND OVER A 10 CENT BAND. (SEE CUBA CRP4 ADD.3 AND USA CRP7).

THERE IS DISAGREEMENT BETWEEN IMPORTERS AND EXPORTERS ON THE ROLE OF QUOTAS IN THE REGULATORY MECHANISM. IMPORTERS HAVE PROPOSED THAT QUOTAS SHOULD ONLY BE IMPOSED WITHIN 2 CENTS OF A 10 CENT RANGE BUT THAT SUCH QUOTAS, IN A SITUATION OF RISING PRICES, COULD BE MAINTAINED OVER A RANGE OF 4 CENTS.

EXPORTERS HAVE PROPOSED THAT THERE SHOULD BE PROVISION FOR QUOTAS THROUGHOUT THE WHOLE PRICE RANGE EXCEPT THAT THE COUNCIL COULD HAVE THE AUTHORITY TO SUSPEND SUCH QUOTAS WHEN THE PRICE EXCEEDS X PLUS 8. IN PUTTING FORWARD THIS PROPOSAL EXPORTERS PAID PARTICULAR REGARD TO THE SUGGESTION BY THE UNITED STATES FOR PROVISION FOR THE COUNCIL TO REVISE THE GLOBAL QUOTA, IN WHICH EVEN QUOTAS COULD NOT BE EQUATED WITH RESTRICTIONS.

POSSIBLE SOLUTION

THE EXPORTERS NOW SUGGEST THAT THERE COULD BE PROVISION FOR THE REMOVAL OF QUOTAS AT X PLUS 8 INSTEAD OF QUOTAS BEING SET AT "NOT LESS THAN 105 PERCENT". THIS SUGGESTION WOULD BE IN LINE WITH THE OBJECTIVE OF MAINTAINING PRICES WITHIN THE MIDDLE SECTOR OF THE PRICE BAND. IT IS INTENDED THAT THE REMOVAL OF QUOTAS WOULD PRECEDE ANY RELEASE OF MINIMUM STOCKS.

2. INITIAL EXPORT SHARES

IMPORTERS AND EXPORTERS AGREE THAT INITIAL EXPORT SHARES SHOULD BE DETERMINED WITH REFERENCE TO:

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 GENEVA 03806 01 OF 02 171016Z

- (I) EXPORT PERFORMANCE;
- (II) ESTIMATES OF SHORT-TERM EXPORT AVAILABILITY TO THE FREE MARKET.

THIS WILL BE DONE PRIMARILY THROUGH CONSULTATION AMONG EXPORTERS; IMPORTERS SHOULD BE CONSULTED BEFORE APPROVAL OF FINAL FIGURES.

IMPORTERS AND EXPORTERS HAVE ALSO AGREED THAT SUCH SHARES WILL BE LISTED IN AN ANNEX ATTACHED TO THE AGREEMENT AND THAT THEY WILL BE USED FOR DISTRIBUTION OF THE GLOBAL QUOTA IN 1978 AND 1979.

3. ADJUSTMENT OF QUOTA SHARES

IMPORTERS AND EXPORTERS HAVE AGREED THAT FROM THE THIRD YEAR ONWARDS QUOTA SHARES SHALL BE ADJUSTED. THERE IS DISAGREEMENT AMONG THEM HOWEVER ON:

- (A) WHETHER THE ADJUSTMENT BE MADE ONLY ONCE OR ANNUALLY; AND

(B) WHETHER THE ADJUSTMENT SHALL BE MADE ENTIRELY
ON THE BASIS OF EXPORT PERFORMANCE OR A FORMULA
OR BY A RENEGOTIATION OF THE ANNEX MENTIONED IN 2 ABOVE.

POSSIBLE SOLUTION

EXPORTERS CANNOT ACCEPT THAT ADJUSTMENTS BE MADE ENTIRELY
ON THE BASIS OF EXPORT PERFORMANCE. HOWEVER, EXPORTERS ARE
WILLING TO EXAMINE ANY PROPOSAL THAT MIGHT RESULT IN A SUITABLE
ADJUSTMENT OF QUOTA SHARES. IN THIS REGARD, EXPORTERS BELIEVE
THAT ANY SOLUTION THAT IS FOUND SHOULD CONTAIN SAFEGUARDS TO:

(A) AVOID THAT EXPORTING MEMBERS WHICH HAVE ALWAYS COMPLIED
WITH THEIR QUOTAS IN EFFECT RECEIVE, UNDER THE NEW CRITERIA,
LESS THAN THEY WOULD RECEIVE IF THE DISTRIBUTION OF THE
GLOBAL QUOTA WERE MADE IN ACCORDANCE WITH THE ANNEX MENTIONED
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 GENEVA 03806 01 OF 02 171016Z

IN 2 ABOVE;

(B) EXCLUDE FROM CONSIDERATION ATYPICAL YEARS (THIS IDEA IS ALSO
ENVISAGED BY JAPAN - SEE PROPOSAL IN ARTICLE 32, DOC. C.I./CRP.
3/ADD.2).

4. MINIMUM STOCKS (SIZE)

IMPORTERS AND EXPORTERS HAVE AGREED THAT EXPORTERS SHALL BE
REQUIRED TO HOLD MINIMUM STOCKS BUT THERE IS DISAGREEMENT
AS TO THE SIZE OF SUCH STOCKS.

EXPORTERS ARE PREPARED TO HOLD, AT THEIR OWN COST, A QUANTITY
OF SUGAR IN STOCK CORRESPONDING TO 10 PERCENT OF THEIR INITIAL
EXPORT ENTITLEMENTS OR SOME OTHER COMPARABLE FIGURE.

IMPORTERS HAVE SUGGESTED A TOTAL MINIMUM STOCK OF 4 MILLION TONS.
THIS QUANTITY IS EQUIVALENT TO 27 PERCENT OF THE ESTIMATED NET
IMPORT REQUIREMENTS OF THE FREE MARKET IN 1978 (SEE STATISTICAL
COMMITTEE CRP.9). TAKING INTO ACCOUNT SUGAR TO BE EXPORTED BY
ASSURED NON MEMBERS (RHODESIA AND TAIWAN) AND BY SMALL EXPORTERS;
AND NOTING THE FACT THAT NOT ALL ELIGIBLE EXPORTERS WILL JOIN THE
NEW AGREEMENT, A MINIMUM STOCK OF 4 MILLION TONS WOULD MEAN THAT
COUNTRIES WHICH JOIN THE AGREEMENT AND SUBJECT THEMSELVES TO
STOCK HOLDING DISCIPLINES WOULD BE REQUIRED TO HOLD A QUANTITY
OF SUGAR EQUIVALENT TO MORE THAN 30 PERCENT OF THE RESIDUAL
FREE MARKET. SUCH A REQUIREMENT IS NOT ONLY PATENTLY INEQUITABLE
BUT ALSO IMPRACTICABLE.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 GENEVA 03806 02 OF 02 171047Z
ACTION EB-07

INFO OCT-01 ISO-00 IO-13 L-03 FRB-03 OMB-01 ITC-01
SP-02 AGRE-00 AID-05 CIAE-00 COME-00 INR-07
LAB-04 NSAE-00 OIC-02 EPG-02 SIL-01 STR-04
TRSE-00 CEA-01 SSO-00 NSCE-00 INRE-00 SS-15 NSC-05
AF-10 ARA-06 EA-07 EUR-12 NEA-10 /122 W
-----171054Z 036978 /13

O R 170921Z MAY 77
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 7419
INFO AMEMBASSY LONDON
USMISSION UN NEW YORK

C O N F I D E N T I A L SECTION 2 OF 2 GENEVA 3806

POSSIBLE SOLUTION

EXPORTERS NOT TO BE REQUIRED TO HOLD MINIMUM STOCKS IN EXCESS
OF 10 PERCENT OF THEIR INITIAL EXPORT ENTITLEMENT OR SOME
COMPARABLE FIGURE. THIS REQUIREMENT TO BE SUPPLEMENTED BY
PROVISION FOR THE ESTABLISHMENT OF SPECIAL STOCKS, THE CONCEPT OF
WHICH MIGHT BE SET OUT IN AN ARTICLE ALONG THE FOLLOWING LINES:

SPECIAL STOCKS

"(1) AS SOON AS POSSIBLE AFTER THE ENTRY INTO FORCE OF THIS
AGREEMENT THE COUNCIL SHALL EXAMINE WAYS TO FINANCE SUGAR THAT
EXPORTING MEMBERS MAY HOLD IN STOCK AS A RESULT OF QUOTA CUTS.
SUCH SUGAR WILL BE REGARDED AS SPECIAL STOCKS.

(2) ONCE THE COUNCIL HAS COMPLETED ITS EXAMINATION AND ESTABLISHED
AN APPROPRIATE FINANCING SCHEME ANY EXPORTING MEMBER
WHICH IS REQUIRED TO HOLD SUCH SPECIAL STOCKS MAY APPLY FOR
FINANCIAL ASSISTANCE.

(3) THE COUNCIL WILL ESTABLISH RULES OF PROCEDURE REGULATING THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 GENEVA 03806 02 OF 02 171047Z

QUANTITY OF SUGAR WHICH AN INDIVIDUAL EXPORTING MEMBER MAY HOLD
AS SPECIAL STOCKS, AND OTHER MATTERS RELATING TO THE AVAIL-

ABILITY OF FINANCE."

THE ABOVE APPROACH HAS THE ADVANTAGE THAT IT ALLOWS TIME FOR A THOROUGH EXAMINATION OF THE POSSIBLE SOURCES OF FINANCE TO ASSIST EXPORTERS IN HOLDING STOCKS, INCLUDING IN PARTICULAR THE POSSIBLE CONTRIBUTIONS TO BE MADE BY IMPORTING MEMBERS. IT SHOULD BE NOTED THAT THE DELAY IN FINALISING SOME FINANCING SCHEME WILL BE INCONSEQUENTIAL IN TERMS OF THE OPERATION OF THE AGREEMENT BECAUSE EXPORTING MEMBERS WILL BE REQUIRED TO ACCUMULATE MINIMUM STOCKS BEFORE SPECIAL STOCKS AND WILL NEED AT LEAST ONE YEAR TO COMPLETE SUCH ACCUMULATION.

4.(B) MINIMUM STOCKS (RELEASES)

TO DATE IMPORTERS AND EXPORTERS HAVE BEEN UNABLE TO AGREE ON THE TIMING OF RELEASES FROM MINIMUM STOCKS. EXPORTERS INITIALLY PROPOSED THAT THE COUNCIL BE GIVEN DISCRETION TO RELEASE MINIMUM STOCKS AT X PLUS 8 AND THAT SUCH RELEASES BE MANDATORY WHEN PRICES EXCEEDED X PLUS 10.

FOR THEIR PART, IMPORTERS HAVE SUGGESTED THAT MINIMUM STOCKS BE RELEASED IN THREE "TRANCHES" AT X PLUS 8, X PLUS 9 AND X PLUS 10.

THE AREAS OF DISAGREEMENT BETWEEN IMPORTERS AND EXPORTERS THEREFORE ARE TIMING OF RELEASES FROM MINIMUM STOCKS AND THE QUANTITIES TO BE RELEASED AT EACH TRIGGER POINT.

POSSIBLE SOLUTION

IF A MINIMUM STOCK OF 10 PERCENT OF EXPORT ENTITLEMENTS IS ACCEPTABLE EXPORTERS PROPOSE THAT WHENEVER PRICES EXCEED X PLUS 8 AND QUOTAS HAVE BEEN REMOVED, 1/3RD OF AVAILABLE MINIMUM STOCKS MUST BE RELEASED. HOWEVER THE COUNCIL SHALL HAVE DISCRETION TO ESTABLISH THE ACTUAL PERCENTAGE TO BE RELEASED. IN ANY CASE THE

CONFIDENTIAL

PAGE 03 GENEVA 03806 02 OF 02 171047Z

REMAINDER OF THE MINIMUM STOCKS WOULD BE RELEASED IN PHASES WHEN THE MARKET PRICE EXCEEDS X PLUS 10.

WHEN SPECIAL STOCKS ARE ESTABLISHED THE AGREEMENT WOULD PROVIDE THAT THEY ONLY BE RELEASED TO THE MARKET AFTER ALL MINIMUM STOCKS HAVE BEEN RELEASED.

5. SUPPLY COMMITMENTS

IMPORTERS HAVE REQUESTED THAT A SUPPLY COMMITMENT OBLIGATION BE WRITTEN INTO THE AGREEMENT AND THAT IT BE TRIGGERED AT X PLUS 12.

EXPORTERS DO NOT ENVISAGE A SUPPLY COMMITMENT PROVISION WITHOUT A PARALLEL PROVISION FOR PURCHASE COMMITMENTS.

POSSIBLE SOLUTION

EXPORTERS ARE PREPARED TO CONTEMPLATE A SUPPLY COMMITMENT OBLIGATION PROVIDED THAT SUCH A COMMITMENT IS:

- (A) VOLUNTARY
- (B) LIMITED TO A QUANTITATIVE OBLIGATION ONLY I.E. EXPORTERS DO NOT UNDERTAKE TO SUPPLY COMMITMENT SUGAR AT A FIXED SUPPLY COMMITMENT PRICE
- (C) THE MINIMUM STOCK OBLIGATION OF EXPORTERS WHO VOLUNTEER TO SUPPLY COMMITMENTS WILL BE REDUCED BY AN APPROPRIATE PERCENTAGE.

6. IMPORTS FROM NON MEMBERS

IMPORTERS AND EXPORTERS HAVE AGREED THAT THE AGREEMENT SHALL INCLUDE PROVISION FOR RESTRICTIONS ON IMPORTS FROM NON MEMBERS TO LEVELS AT LEAST EQUAL TO PAST PERFORMANCE. HOWEVER IMPORTERS HAVE YET TO RECOGNISE THAT NON MEMBERS WOULD HAVE AN UNFAIR ADVANTAGE IF THEY WERE TO BE ALLOWED TO EXPORT QUANTITIES OF SUGAR EQUIVALENT TO PAST PERFORMANCE AT A TIME WHEN EXPORTING MEMBERS WERE ACCEPTING THE DISCIPLINE OF QUOTA CUTS. ANOTHER POINT OF CONFIDENTIAL

CONFIDENTIAL

PAGE 04 GENEVA 03806 02 OF 02 171047Z

DISAGREEMENT IS WHETHER THE RESTRICTIONS ON IMPORTS FROM NON MEMBERS SHOULD BE APPLICABLE TO NON MEMBER IMPORTS AS A GROUP RATHER THAN ON A COUNTRY-BY-COUNTRY BASIS.

POSSIBLE SOLUTION

IN VIEW OF THE POINT MADE BY IMPORTERS THAT SOME OF THEIR NUMBER WOULD HAVE DIFFICULTY IN PROHIBITING IMPORTS FROM NON MEMBERS, EXPORTERS PROPOSE THAT THE AGREEMENT SHOULD PROVIDE FOR ALTERNATIVE DEGREES OF RESTRICTIONS ON SUCH IMPORTS AND THAT INDIVIDUAL IMPORTING MEMBERS BE GIVEN THE FREEDOM TO SELECT ONE OR OTHER OF THE ALTERNATIVES FOR THE DURATION OF THE AGREEMENT. THE ALTERNATIVES ARE OUTLINED IN THE ATTACHED CHART.

7. SHORTFALLS

THERE IS DISAGREEMENT AMONG IMPORTERS AND EXPORTERS ON THE QUESTION OF THE REDISTRIBUTION OF SHORTFALLS FOR IMPORTERS, "AUTOMATICITY" IS THE WORD; FOR EXPORTERS, IT IS "DISCRETION OF THE COUNCIL". HOWEVER, IMPORTERS ENVISAGE QUOTAS ONLY APPLYING BELOW X PLUS 2, A POINT WHICH EXPORTERS CONSIDER TO BE FAR TOO LOW.

POSSIBLE SOLUTION

EXPORTERS PROPOSE THAT THE REALLOCATION OF SHORTFALLS SHOULD

BE AUTOMATIC, UNLESS THE COUNCIL DECIDES OTHERWISE, WHEN THE
PRICE IS BETWEEN X PLUS 1.5 AND X PLUS 8. WHEN THE PRICE IS
BETWEEN X AND X PLUS 1.5 THE QUESTION OF REALLOCATION OF SHORTFALLS
SHOULD BE AT THE COUNCIL'S DISCRETION. END TEXT.SORENSEN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, AGREEMENTS, NEGOTIATIONS, PRICE FIXING, EXPORT QUOTAS
Control Number: n/a
Copy: SINGLE
Sent Date: 17-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977GENEVA03806
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770174-0977
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770550/aaaabqwd.tel
Line Count: 336
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2332be92-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2495238
Secure: OPEN
Status: NATIVE
Subject: SUGAR NEGOTIATIONS
TAGS: ETRD, UNCTAD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/2332be92-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009